

Message Text

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ACTION EB-08

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TAGS: EAIR, CE

SUBJ: AIR CEYLON INTERNATIONAL

REF: (A) STATE 135582, (B) COLOMBO 2334

BEGIN UNCLASSIFIED

1. THE FOLLOWING STORY APPEARED IN THE JUNE 6, 1978, EDITION OF THE SUN: QUOTE - SRI LANKA IS TO SEEK THE ADVICE OF A LEADING INTERNATIONAL FIRM OF CONSULTANTS ON AIRWAYS BEFORE DECIDING ON ANY LINK WITH AN INTERNATIONAL AIRLINE.
2. PRESIDENT J.R. JAYEWARDENE, WHO RECENTLY TOOK CHARGE OF AVIATION, IS REPORTED TO HAVE TAKEN THIS STEP WITH A VIEW TO OBTAINING THE BEST INTERNATIONAL AIRLINE FOR A LINK-UP WITH SRI LANKA'S NATIONAL CARRIER.
3. A FEW MONTHS AGO, THE GOVERNMENT ANNOUNCED ITS INTENTION OF CONSIDERING A LINK WITH AN INTERNATIONAL AIRLINE AND 45 AIRLINES AND FINANCING AGENCIES SUBMITTED TENDERS.
4. ACCORDING TO INFORMED SOURCES, THESE TENDERS WERE EVAL-

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UATED BY A SPECIAL COMMITTEE SET UP FOR THIS MATTER AND WHITTLED DOWN TO 12, ELIMINATING THE REST.

5. THE 12. TENDERS NOW BEING CONSIDERED ARE FROM JAPANESE AIRLINES, BRITISH AIRWAYS, SINGAPORE AIRLINES, HUGHES AIRWEST, ICELANDIC AIRWAYS - A CONSORTIUM OF FIVE AIRLINES BACKED BY AIR CANADA - AND SOME PRIVATE FINANCE COMPANIES.

6. THE CONSORTIUM COMPRISES AIR CANADA, ICELANDIC AIRWAYS, AIR BAHAMAS, LOFT LIDER AND CARGO LUX.

7. THE SOURCES SAID THIS CONSORTIUM'S TENDER APPEARED TO BE THE BEST SO FAR AS IT HAD SUBMITTED A COMPREHENSIVE BROCHURE OF ITS INTERNATIONAL CONNECTIONS AND THE POTENTIAL FOR SRI LANKA. IT HAD ALSO AGREED TO EMPLOY ALL LOCAL ENGINEERS OF AIR CEYLON AT SHORT NOTICE.

8. THE SOURCES SAID THAT THE PRESIDENT, HOWEVER, WAS NOT TAKING ANY CHANCES, AS HE WAS KEEN ON ENSURING ONE OF THE FINEST INTERNATIONAL SERVICES BY AIR CEYLON.

9. HE WOULD THEREFORE BE SEEKING THE ADVICE OF A FIRM OF AIR-LINE CONSULTANTS IN THE UNITED STATES, THEY DISCLOSED.

10. THESE SOURCES ALSO DISCLOSED THAT THE INTERNATIONAL LINK-UP WOULD BE CONCLUDED BEFORE AUGUST - THE BEGINNING OF THE TOURIST SEASON - AS OTHERWISE IT WOULD BE UNECONOMICAL TO LAUNCH THE LINK-UP TILL APRIL NEXT YEAR. END QUOTE.
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11. ON JUNE 7, THE ECON OFFICER SPOKE WITH JAMES LANEROLL, SECRETARY OF THE MINISTRY OF AVIATION AND A MEMBER OF THE LIMITED OFFICIAL USE

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SPECIAL COMMITTEE APPOINTED TO SELECT A NEW PARTNER FOR AIR CEYLON. LANEROLL SAID THE SUN ARTICLE WAS NOT CORRECT IN THAT THE COMMITTEE WAS STILL EXAMINING PROPOSALS FROM A NUMBER OF AIRLINES AND NO CONSULTANT HAD YET BEEN HIRED. HE SAID THAT ONLY AFTER THE COMMITTEE HAD NARROWED THE FIELD TO THREE OR FOUR PROSPECTS WOULD THE SERVICES OF A CONSULTANT BE REQUIRED. NO DECISION HAS BEEN MADE ON WHAT CONSULTING FIRM WOULD BE USED. WHILE SOMEWHAT EVASIVE, LANEROLL INDICATED THAT THE LIST OF AIRLINES STILL UNDER CONSIDERATION MENTIONED IN THE SUN STORY WAS SUBSTANTIALLY CORRECT.

12. ON THE QUESTION OF HOW MUCH A 49 PERCENT SHARE OF AIR CEYLON WOULD COST (REFTEL A), LANEROLL SAID THAT WOULD DEPEND ON WHAT EQUIPMENT THE NEW PARTNER AIRLINE DECIDES IS NECESSARY TO MAKE AIR CEYLON A VIABLE INTERNATIONAL CARRIER.

13. COMMENT: WHILE NO CURRENT BALANCE SHEETS ARE AVAILABLE FOR AIR CEYLON, THE EMBASSY SUSPECTS THAT THE VALUE OF AIR CEYLON'S OBSOLETE AIRCRAFT IS EXCEEDED BY ITS LIABILITIES. AIR CEYLON'S NEW PARTNER WILL HAVE TO DETERMINE WHAT IS REQUIRED IN THE WAY OF EQUIPMENT, STAFF TRAINING, ETC. AND THEN SHARE 49 PERCENT OF THE COST.

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